

Douglas A. Ducey
Governor



Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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January 19, 2016

Dr. Cara M. Christ, Director
Arizona Department of Health Services
150 North 18th Avenue
Phoenix, Arizona 85007

Dear Dr. Christ:

In response to your Project Investment Justification (PIJ) for the "*Woman, Infant, Children Electronic Benefit Transfer*" project, my staff has reviewed your proposal to procure and implement a vendor-hosted web-based benefits solution to replace the current paper-based food benefit insurance and redemption system.

The PIJ implies sufficient funding is available from Federal MIS/EBT Technology Grant Funds to cover the total estimated five-year life cycle cost for the project. The costs for the project are listed as a range due to State procurement rules regarding active solicitations.

This is notification of the Arizona Strategic Enterprise Technology Office's recommendation to the Information Technology Authorization Committee (ITAC) for **Approval with Conditions** of the technology project as follows:

1. Prior to transmitting any State data between the vendor and the State, ADHS will provide information regarding the security controls that will be implemented, and work with ADOA-ASET to help ensure appropriate levels of protection are in place, including the completion of the baseline security checklist as required.
2. Upon award, ADHS must notify ADOA-ASET and the Information Technology Authorization Committee (ITAC) via a formal communication regarding the identity of the selected vendor and final proposed costs.

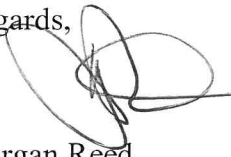
The ITAC is scheduled to meet on January 27, 2016 to review this project. Should the ITAC approve the project, you may then proceed to secure additional approvals as required from the Joint Legislative Budget Committee, the Office of Strategic Planning and Budgeting, and the State Procurement Office.

Dr. Cara M. Christ

January 19, 2016

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Regards,

A handwritten signature in black ink, appearing to read 'Morgan Reed', with a large, stylized loop at the end.

Morgan Reed

State CIO

Arizona Strategic Enterprise Technology (ASET) Office

jd

cc: Janet Mullen, ADHS
Paula Mattingly, ADHS
Raghu Ramaswamy, ADHS
Ryan Sadler, ADHS
Jung Thai, ADHS
Rebecca Perrera, JLBC
Christopher Olvey, OSPB
Judy Wente, ADOA-SPO
J.R. Sloan, ADOA-ASET
Jeffrey Crane, ADOA-ASET

ASET# HS15001

<i>Agency Name & Address</i>	<i>Contact Information</i>
Arizona Department of Health Services (ADHS) 150 North 18 th Avenue Phoenix, Arizona 85007	Paula Mattingly 602-542-2892 Paula.Mattingly@azdhs.gov
<i>Project and Investment Justification Name</i>	<i>Date Submitted</i>
Woman, Infant, Children Electronic Benefit Transfer	<i>Pre-PIJ April 22, 2015</i> Full PIJ January 15, 2016

Project Overview

Problem Description

The Arizona Department of Health Services (ADHS) is mandated, through the federal Healthy Hunger Free Kids Act of 2010, to implement Women, Infant, and Children (WIC) electronic benefit transfer (EBT) no later than October 2020. The Arizona WIC Program must replace paper food instruments with WIC EBT. WIC EBT is an electronic system that replaces paper food instruments with a card for food benefit issuance and redemption at authorized vendors.

Solution

ADHS is proposing to issue a Request for Proposal (RFP) to receive and evaluate bid proposals for a Women, Infant, and Children (WIC) electronic benefit transfer (EBT) system. The envisioned WIC EBT system will replace paper food instruments with an electronic card for food benefit issuance and redemption at authorized vendors.

ADHS received vendor responses to provide an online WIC EBT solution that would serve the needs of the Agency, and stakeholders. The Arizona WIC Program formed an RFP evaluation team which included the WIC director and resources from internal divisions and an external agency. The proposals were assessed based on three criteria, experience and expertise, method of approach, and cost. Using a points system, the evaluation team compared the proposals to the specific requirements from the RFP special instructions.

The selected solution will be vendor-hosted, and replace the existing food instrument process with an online WIC EBT magnetic strip card. The system will integrate with the Health and Nutrition Delivery System (HANDS) which is used by local agency personnel to certify and issue participant food benefits, and vendor cash register systems that can process WIC EBT transactions. Vendors operating a cash register system without communication capabilities to the new online system, will be provided the necessary equipment to process WIC EBT transactions.

Upon full implementation, participants of the WIC EBT Program will have the ability to shop at an authorized vendor, and utilize the new magnetic stripe card at checkout to purchase approved WIC items. During the checkout process, the items purchased will be compared against the approved items list in real time, and the transaction will be approved or denied based upon a regularly updated table.

Prior to a full statewide rollout, a pilot will be completed and the results reviewed to ensure a smooth transition.

Major Deliverables and Outcomes

- Creation of RFP

- Distribution of RFP
- Review and evaluation of vendor responses to RFP
- Submission of Full PIJ to ADOA-ASET Prior to Contract Award
- Contract Award

Upon ITAC approval, ADHS will award the solicitation. A list of Major Deliverables and general timeline are listed in the table below:

	Estimated Start	Estimated Completion
HANDS JAD Sessions	Jan 2016	Apr 2016
ITAC Approval	Jan 2016	Jan 2016
USDA Contracts Approval	Mar 2016	Mar 2016
Project Kickoff Meeting	Apr 2016	Apr 2016
Integrated Vendor Certifications	Apr 2016	July 2017
WIC EBT System JAD Sessions	Apr 2016	May 2016
HANDS Development Complete	Oct 2016	Oct 2016
HANDS UAT	Nov 2016	Dec 2016
Systems Integration Testing	Jan 2017	Mar 2016
Pilot	Mar 2017	Jun 2017
Statewide Rollout	July 2017	Sep 2017

Benefits

Through the RFP issuance and subsequent contract award and deployment of a solution, ADHS expects the following benefits to be realized:

- Food Benefit Redemption Flexibility for Participants
- Increased Participant Dignity When Shopping
- Reduced Participant Time at the Cash Register
- Elimination of Food Instrument Printing Challenges
- More Efficient Participant Food Benefit Updates and Replacements
- Reduction in Misunderstandings and Disputes Between Participants and Vendors Via an Approved Product List
- Increased Ability to Detect Fraud
- Enhanced Ability to Enforce Program Parameters (E.G. Benefit Timelines/Expirations)

Project Management

The Pre PIJ RFP will be coordinated and managed by ADHS staff.

The Bureau of Nutrition and Physical Activity (BNPA), Arizona WIC Bureau Chief, and the ADHS Information Technology Application Services Manager will provide oversight for the project. A Steering Committee with representation from different areas will be formed to review the project status, provide recommendations, and assist with issues.

Multiple vendors will be involved in the project. The current HANDS contractor will be responsible for changes to the existing application in preparation for the new WIC EBT

solution. The awarded vendor will be responsible for developing the new WIC EBT application, and training. A contracted third party reviewer will provide project oversight services, and quality assurance.

Enterprise Architecture

Compliant.

Summary of Proposed Costs

<i>All Figures in Thousands (\$000)</i>						
<i>Cost Description</i>	<i>FY2016</i>	<i>FY2017</i>	<i>FY2018</i>	<i>FY2019</i>	<i>FY2020</i>	<i>Total</i>
Development Costs	\$1,729.8 - \$1,870.6	\$3,217.3 - \$3,653.5	\$1,085.7 - \$1,181.8	0.0	\$15.3 - \$22.5	\$6,048.0 - \$6,728.4
Operational Costs	115.0	224.7	996.9	996.9	996.9	3,330.5
Total Project Costs	\$1,844.8 - \$1,985.6	\$3,442.0 - \$3,878.2	\$2,082.6 - \$2,178.8	996.9	\$1,012.2 - \$1,019.5	\$9,378.5 - \$10,059.0

Recommendation: Approval with Conditions

1. Prior to transmitting any State data between the vendor and the State, ADHS will provide information regarding the security controls that will be implemented, and work with ADOA-ASET to help ensure appropriate levels of protection are in place, including the completion of the baseline security checklist as required.
2. Upon award, ADHS must notify ADOA-ASET and the Information Technology Authorization Committee (ITAC) via a formal communication regarding the identity of the selected vendor and final proposed costs.